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TO: Mark Lockridge
Auditor General

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: March 12, 2021

RE: 2021-2022 Budget Analysis

Attached is our budget analysis regarding your department's budget for the 2021-2022 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Friday, March 19, 2021 at 11:00 a.m.** We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Council members and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

DW:dh:ss

Attachments:
Issues and Questions
Auditor General Budget Pages

Attachments:

cc: Councilmembers
Auditor General's Office
Jay Rising, Acting Chief Financial Officer
Tanya Stoudemire, Chief Deputy CFO
Steve Watson, Budget Director
Avery Peebles, Mayor's Office
Lenetta Walker, Budget Analyst
James George, Agency CFO

Auditor General (50)

FY 2021-2022 Budget Analysis by the Legislative Policy Division

The mission of the Office of the Auditor General (OAG) is to act as an independent, full-service auditing function to examine and evaluate the City's activities in order to improve the accountability for public funds and to improve the operations of City government. The agency promotes the economy, efficiency, and effectiveness of city government and helps to protect against fraud, waste, and abuse by conducting independent audits, investigations, and evaluations, while adhering to the professional standards of the auditing profession.

The OAG's primary responsibilities are the examination and evaluation of processes that pose the most risks to the City's interest, the adequacy and effectiveness of the City's system of internal control and the quality of performance in carrying out assigned responsibilities. This entails the following:

- A review of the reliability and integrity of financial and operating data and the means used to identify, measure, classify and report such information.
- A review of the systems established to ensure compliance with those policies, plans, procedures, laws and regulations that could have a significant impact on operations and reports.
- A review of the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- An appraisal of the economy and efficiency with which resources are employed.
- A review of operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operation or programs are being carried out as planned.

The Auditor General is also a member of the Risk Management Council, which evaluates the effectiveness of the City's overall risk management function and performs evaluations of the administration and effectiveness of risk management functions in each City agency.

Agency Goals

1. Improve the auditing and consulting capabilities of the OAG staff;
2. Promote an atmosphere of mutual trust, honesty, and integrity among staff and constituents;
3. Improve the quality and timeliness of all external as well as internal reporting;
4. Complete an optimal number of audits, investigations, and special projects;
5. Identify and report opportunities for expense savings and revenues increases.

The Mayor has recommended a slight increase for the Auditor General of \$33,786 (0.91%) for FY 2022, increasing from \$3,695,972 to \$3,729,758. The Mayor has however reduced the number of FTE's from 14 to 12 in FY 2022. As of January 1, 2021, the Auditor General had 11 actual employees, with 3 vacancies.

Issues and Questions

- 1) Please describe the department's new expense initiatives, new capital funding requests, operational reform and savings proposals, and new revenue initiatives/proposals to be implemented in FY 2022. Please provide which appropriation/cost center the new initiative/request/proposal is impacting in FY 2022.

2) The Mayor has recommended reducing appropriation **12680 - OAG Auditing** by \$89,750 (4.99%) in FY 2022, reducing the appropriation from \$1,798,750 to \$1,709,000. Will the reduction of this appropriation, which encompasses the costs for the City's CAFR¹ have a negative impact?

3) Is the FY 2022 budgeted level of \$1,709,000 a sufficient amount to cover the items budgeted under appropriation **12680 - OAG Auditing**?

4) The Mayor has recommended a reduction in the number of FTE's from 14 to 12 in FY 2022 for the Auditor General, is this staffing level sufficient for the Office of the Auditor General to conduct its audits of City departments at an optimum level?

¹ Comprehensive Annual Financial Report

AUDITOR GENERAL (50)

AGENCY PLAN**MISSION:**

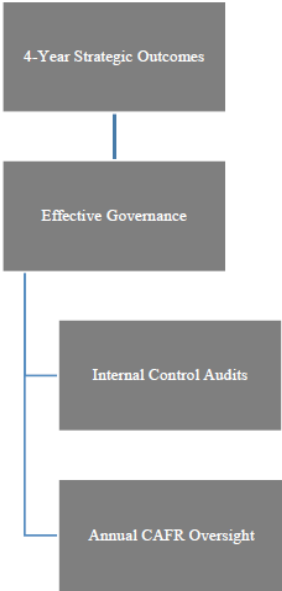
The Office of the Auditor General (OAG) is an independent, full-service auditing function to examine and evaluate City activities in order to improve accountability for public funds and to improve operations of City government. The agency promotes the economy, efficiency, and effectiveness of city government and helps to protect against fraud, waste, and abuse by conducting independent audits, investigations, and evaluations while adhering to the professional standards of the auditing profession.

OAG responsibilities and authority are stated in Section 7.5-105 of the Charter to make audits of the financial transactions, performance, and operations of city agencies with a focus on high-risk areas; to perform financial analysis of agencies; to make a report of the financial position of the City after the close of each fiscal year; to investigate the administration and operation of City agencies; to settle all disputed claims in favor of or against the City as provided by ordinance, and to make reports to City agencies of irregularities of practice and erroneous accounting methods. OAG prepares written reports of audit findings and recommendations to the City Council, the Mayor and the management of each agency, and performs special projects and other work. The OAG participates in the City's independent biannual Revenue Estimating Conference process. The annual financial audit of the City's CAFR and its Federal financial assistance programs are performed by outside auditors hired by the OAG.

STRATEGIC PRIORITIES:

- Improve the auditing and consulting capabilities of the OAG staff.
- Promote an atmosphere of mutual trust, honesty, and integrity among staff and constituents.
- Improve the quality and timeliness of all external as well as internal reporting.
- Complete an optimal number of audits, investigations, and special projects.
- Identify and report opportunities for expense savings and revenues increases.

AUDITOR GENERAL (50)



B-495

Department Name: Office of the Auditor General

Department #: 50

Budget Summary:

	FY2020 Actual		FY2021 Adopted		FY2022 Mayor	
	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds
Total Revenues	-	-	-	-	-	-
Total Expenditures	3,640,960	3,640,960	3,695,972	3,695,972	3,729,758	3,729,758
Net Tax Cost	3,640,960	3,640,960	3,695,972	3,695,972	3,729,758	3,729,758

	FY2023 Forecast		FY2024 Forecast		FY2025 Forecast	
	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds
Total Revenues	-	-	-	-	-	-
Total Expenditures	3,752,352	3,752,352	3,775,387	3,775,387	3,798,883	3,798,883
Net Tax Cost	3,752,352	3,752,352	3,775,387	3,775,387	3,798,883	3,798,883

Positions (by FTE):	1/1/2021 Actual	FY2021 Adopted	FY2022 Mayor	FY2023 Forecast	FY2024 Forecast	FY2025 Forecast
General Fund	11	14	12	12	12	12
Non-General Fund	-	-	-	-	-	-
Total Positions	11	14	12	12	12	12

**CITY OF DETROIT
BUDGET DEVELOPMENT
EXPENDITURES BY SUMMARY CATEGORY - ALL FUNDS
DEPARTMENT 50 - OFFICE OF THE AUDITOR GENERAL**

Department # - Department Name Summary Category	FY2021 Adopted	FY2022 Mayor	FY2023 Forecast	FY2024 Forecast	FY2025 Forecast
50 - Office of the Auditor General	3,695,972	3,729,758	3,752,352	3,775,387	3,798,883
Salaries & Wages	1,124,929	1,129,171	1,151,755	1,174,790	1,198,286
Employee Benefits	419,149	385,937	385,937	385,937	385,937
Professional & Contractual Services	1,948,750	1,951,088	1,951,088	1,951,088	1,951,088
Operating Supplies	57,898	119,898	119,898	119,898	119,898
Operating Services	128,346	126,764	126,774	126,774	126,774
Other Expenses	16,900	16,900	16,900	16,900	16,900
Grand Total	3,695,972	3,729,758	3,752,352	3,775,387	3,798,883

**CITY OF DETROIT
BUDGET DEVELOPMENT
FINANCIAL DETAIL BY DEPARTMENT, FUND, APPROPRIATION, & COST CENTER - EXPENDITURES
DEPARTMENT 50 - OFFICE OF THE AUDITOR GENERAL**

Department # - Department Name					
Fund # - Fund Name	FY2021	FY2022	FY2023	FY2024	FY2025
Appropriation # - Appropriation Name	Adopted	Mayor	Forecast	Forecast	Forecast
Cost Center # - Cost Center Name					
50 - Office of the Auditor General	3,695,972	3,729,758	3,752,352	3,775,387	3,798,883
1000 - General Fund	3,695,972	3,729,758	3,752,352	3,775,387	3,798,883
00261 - OAG Auditing Operations	1,897,222	-	-	-	-
500010 - OAG Administration	683,834	-	-	-	-
500020 - Auditing Operations	1,213,388	-	-	-	-
12680 - OAG Auditing	1,798,750	-	-	-	-
500025 - Auditing - CAFR	1,798,750	-	-	-	-
28500 - Internal Controls Auditing	-	3,729,758	3,752,352	3,775,387	3,798,883
500010 - OAG Administration	-	763,034	770,741	778,592	786,600
500020 - Auditing Operations	-	1,257,724	1,272,611	1,287,795	1,303,283
500025 - Auditing - CAFR	-	1,709,000	1,709,000	1,709,000	1,709,000
Grand Total	3,695,972	3,729,758	3,752,352	3,775,387	3,798,883

**CITY OF DETROIT
BUDGET DEVELOPMENT
POSITION DETAIL BY DEPARTMENT, FUND, APPROPRIATION, & COST CENTER
DEPARTMENT 50 - OFFICE OF THE AUDITOR GENERAL**

Department # - Department Name					
Fund # - Fund Name		FY2021	FY2022	FY2023	FY2024
Appropriation # - Appropriation Name		Adopted	Mayor	Forecast	Forecast
Cost Center # - Cost Center Name					Forecast
Job Code - Job Title					Forecast
50 - Office of the Auditor General		14	12	12	12
1000 - General Fund		14	12	12	12
00261 - OAG Auditing Operations		14	0	0	0
500010 - OAG Administration		3	0	0	0
010106 - Auditor General		1	0	0	0
13201124 - Auditor Manager IV		1	0	0	0
43013376 - Executive Administrative Assistant II		1	0	0	0
500020 - Auditing Operations		11	0	0	0
13201102 - Auditor II		5	0	0	0
13201103 - Auditor III		3	0	0	0
13201104 - Auditor IV		1	0	0	0
13201112 - Supervisory Auditor IV		2	0	0	0
28500 - Internal Controls Auditing		0	12	12	12
500010 - OAG Administration		0	3	3	3
010106 - Auditor General		0	1	1	1
13201124 - Auditor Manager IV		0	1	1	1
43013376 - Executive Administrative Assistant II		0	1	1	1
500020 - Auditing Operations		0	9	9	9
13201102 - Auditor II		0	3	3	3
13201103 - Auditor III		0	3	3	3
13201104 - Auditor IV		0	1	1	1
13201112 - Supervisory Auditor IV		0	2	2	2
Grand Total		14	12	12	12